

Arkansas Department of Human Services
Division of Medical Services

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Division of Integrated Health Systems
Family and Children's Health Programs Group
Center for Medicaid and State Operation
Center for Medicare and Medicaid Services
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Dear Mr. Fiore:

Please find attached the 1115 waiver application for the Department of Human Services ARx Senior Program. We request your prompt review and comments.

Thank you for your consideration of this matter.

Sincerely,

Ray Hanley
Director

Attachment

Cc: Calvin Cline, Associate Regional Administrator, CMS, Dallas
file

**ARKANSAS DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL SERVICES**

ARx SENIOR PROGRAM

**A Waiver Request Submitted Under the Authority of
Section 1115(a) of the Social Security Act**

to

Division of Integrated Services
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services

June 2002

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**SECTION 1115(a) RESEARCH AND DEMONSTRATION
WAIVER APPLICATION
ARKANSAS DEPARTMENT OF HUMAN SERVICES
ARx SENIOR PROGRAM**

I. EXECUTIVE SUMMARY

The Arkansas Legislative Act 1658 of 2001 authorizes the Arkansas Department of Human Services (DHS) to submit a proposal for limited prescription drug coverage to be extended to eligible Arkansans age 65 and over (See Attachment A).

The Arkansas Department of Human Services is proposing a Section 1115(a) demonstration waiver to expand Medicaid prescription drug coverage, effective October 1, 2002, for a period of five (5) years, to provide up to two (2) prescriptions per month to certain persons whose income does not exceed 85% of the federal poverty level (FPL) and who are Qualified Medicare Beneficiaries (QMB).

The Arkansas Department of Human Services (DHS) is requesting a Section 1115(a) demonstration waiver to expand Medicaid eligibility and access to health care services to individuals age sixty-five and over who are not currently eligible for the services outlined in this application.

DHS objectives are to offer the following:

- A. Effective October 1, 2002, services will be expanded to some Qualified Medicare Beneficiary (QMB) eligibles age 65 and over to include 2 prescriptions per month.
- B. Co-payments and annual enrollment fees will be required beyond those for currently enrolled Medicaid recipients.

Effective October 1, 2002, eligibility for the ARx Senior Waiver group will be based on incomes at or below 85% of the federal poverty level (FPL), age 65 or over and receiving QMB benefits. The income limit may increase incrementally at specific times during the demonstration period (See Eligibility section).

The application process will require the completion of an application for QMB services by the individual. Application forms will be available at the local DHS offices or by mail. The applications will be subject to normal processing standards.

If eligibility is denied, the individual will have an opportunity to request a fair hearing through the agency's appeals process.

QMB eligibles whose income is below 85% of FPL will be identified on a monthly basis through a computerized routine. If the individual is eligible for QMB and meets the income criteria for ARx Senior benefits, he or she will receive QMB benefits plus assistance with the costs of up to 2 prescriptions per month. The recipient will receive a magnetic encoded identification (ID) card for use of eligibility verification when accessing health care services.

All QMB recipients will have a Limited Benefit Identification Card that alerts providers to check what level of coverage they are eligible to receive. When a provider checks for eligibility of a recipient through the Arkansas Eligibility Verification and Claims Submission (AEVCS) system, the provider will be notified that the recipient is eligible for a limited package of services. When the recipient is eligible for ARx Senior Waiver benefits, the provider will be notified that the potential benefits include two prescription drugs per month.

An annual enrollment fee of twenty-five dollars is required for the ARx Senior Waiver group. This fee will not be required in a lump sum but will be applied at a rate of five dollars per prescription.

The co-payments for prescription drugs for ARx Senior recipients will be different from the co-payments required of other Medicaid recipients. This group will be required to pay ten (10) dollars for each prescription for a generic drug and twenty (20) dollars for each prescription for a name brand drug. The co-payments will be collected at the point of service at the time of purchase of the drugs.

II. Public Notice

A notice was printed in the Arkansas Democrat-Gazette on August 1, 2001 and allowed to run for seven consecutive days. The Democrat-Gazette is the only newspaper in Arkansas with statewide distribution. This notice included a 30-day public comment period and instructions on how to obtain a copy of the concept paper. We received no comments.

III. The Environment

A. Overview of Current System

1. Individuals included in the waiver are eligible to receive Medicaid benefits in the QMB Program. The waiver is designed to expand Medicaid benefits to these individuals.
2. Arkansas delivers services to Medicaid eligible individuals through fee for service. There will be no change for these waiver eligibles.
3. The public perception of the QMB Program is favorable. However, it is generally accepted that seniors need additional assistance, especially with prescription drug costs.
4. There are no known problems with access, cost, quality, or fraud.

B. Experience with State Waivers

The state is currently operating the following waivers:

1. 1115(a)
 - a. ARKids First
 - b. Family Planning
2. 1915(b)
 - a. PCCM
 - b. Transportation
3. 1915(c)
 - a. Alternatives for Persons with Physical Disabilities
 - b. Elder Choices
 - c. DDS Waiver

The waivers listed above have been well received and there have been no major problems experienced with them.

C. Legislation

1. The Arkansas Legislative Act 1658 of 2001 authorizes the Arkansas Department of Human Services (DHS) to submit a proposal for limited prescription drug coverage to be extended to eligible Arkansans age 65 and over. A copy of Act 1658 is attached (Attachment A).

D. Input From Public Agencies/Advocates

The Director of the Arkansas Division of Medical Services has received letters of support from the Arkansas Pharmacists Association (see Attachment B) and the Arkansas Medical Society (see Attachment C).

E. State Budget

1. What is the financial outlook of the current Medicaid program?

The financial outlook for the Arkansas Medicaid program is better than that for a number of states (e.g., California, New Jersey, Mississippi and Missouri). As in many other states the finances will be tight for the next couple of years. Arkansas believes we can maintain essential services, including medically necessary services for children.

2. Can the State sustain adequate financing for the life of the waiver?

We believe, with known factors at this date, Arkansas can maintain funding for this waiver.

IV. Program Administration

The demonstration will be administered by the Division of Medical Services (DMS) and the Division of County Operations (DCO). Both agencies are divisions of the Arkansas Department of Human Services.

A. Organization Structure

Attached is a copy of the organizational chart for DHS (Attachment D), an organizational chart for DMS (Attachment E) and an organizational chart for DCO (Attachment F).

The Division of Medical Services (DMS) is responsible for ensuring compliance with the waiver in regard to services and provider participation.

The Division of County Operations is responsible for the dissemination of eligibility policy and ensuring that DHS county offices comply with the waiver when making applicant eligibility determinations.

B. Contractual Relationships

Monitoring functions will be completed by the Arkansas Center for Health Improvement (ACHI).

V. Eligibility

To be eligible for ARx Senior benefits, the individual must:

- A. Be age 65 or older;
- B. Be eligible for and receiving the Qualified Medicare Beneficiary (QMB) category of Medicaid as described under 1905(p);
- C. Have no prescription drug coverage
- D. Apply for Supplemental Security Income (SSI) if the individual appears to be eligible for SSI; and
- E. Have net countable income at or below 85% of FPL with the option to increase up to a maximum of 100% of poverty at a later time if revenue allows. The income requirements are detailed below:

Eligibility for ARx Senior recipients will be based on the income and resource standards established for the Qualified Medicare Beneficiary (QMB) eligibility category with the following exceptions:

- a. Effective January 1, 2003, the income limit may be increased up to but will not exceed ninety per cent (90%) of FPL;
- b. Effective after June 30, 2003, the income limit may be increased up to but will not exceed one-hundred per cent (100%) of FPL;

Increases in the income eligibility standard after implementation are not mandated and will not be initiated if program costs exceed projections or adequate funding is unavailable.

VI. Benefits

A. Benefit Package

The ARx Senior Waiver recipients will receive the same benefits as QMB eligibles. The waiver will expand benefits for this group to include prescription drug coverage up to two (2) prescriptions per month.

B. Enrollment Fee/Co-payments

1. Enrollment Fee

a. All waiver recipients will pay an annual enrollment fee of twenty-five dollars (\$25) per state fiscal year (SFY) of October through June. The enrollment fee will be paid at a rate of five dollars (\$5) per prescription in addition to the recipient co-payment. The enrollment fee amount will be deducted electronically from the price of the prescription and collected by the pharmacy provider at the time of purchase until the recipient is credited with the full amount of \$25 during the SFY.

b. The enrollment fee will be deducted again beginning the following October.

The waiver recipients will be responsible for co-payments on prescription drugs that are not paid by other Medicaid recipients. These co-payments will be paid at a rate of ten dollars (\$10) for generic drugs and twenty dollars (\$20) for name brand drugs. The co-payment amounts will be deducted electronically from the price of the prescription at the time of purchase.

C. Special Populations

The population served by this waiver is made up of individuals age 65 and over who are eligible for QMB services.

VII. Delivery System

A. Service Delivery

All services for the ARx Senior Waiver recipients will be delivered through the current network of enrolled Medicaid providers.

B. Primary Care

Most, if not all, the recipients in this group are exempt from the primary care physician (PCP) requirements. They will receive their primary care through Medicare.

C. Reimbursement

Reimbursement for prescriptions provided to ARx Senior Waiver recipients will be based on the same methodology as non-waiver pharmacy claims.

VIII. Access

The Division of County Operations is currently using a simplified application with a wraparound brochure for Medicare Savings Categories. This is a mail-in application that allows for self-declaration of most eligibility points. The brochure part of the application kit will be modified to explain the ARx Senior Program. Individuals eligible for QMB and the ARx Senior Program will be certified for both concurrently by completing the one application.

Arkansas currently uses Leads data from Social Security and sends letters with application kits each month to new Medicare recipients whose Social Security income is under 100% of the federal poverty level. This process will continue.

IX. Quality

The same grievance system in effect under the regular Medicaid program will apply to ARx Senior Waiver recipients. Recipients have available a formal appeal process under 42 CFR Part 431, Subpart E.

Arkansas Foundation for Medical Care, Inc. (AFMC) will continue to review allegations of substandard medical care for the Arkansas Medicaid Program.

Retrospective Drug Utilization Review (RDUR) and Prospective Drug Utilization Review (ProDUR) systems are utilized by the state Pharmacy Program. They will also be used for the waiver group.

These review processes were established by the Omnibus Budget Reconciliation Act (OBRA) of 1990 to examine claims data and other records to identify possible patterns of abuse, fraud, overuse, or inappropriate or medically unnecessary care among physicians, pharmacists and individuals receiving benefits under Medicaid.

A. Eligibility

A quality control program for waiver participants that meets the requirements of Section 1903(u) will be implemented if necessary.

Applicants and recipients have available to them a formal appeal process under 42 CFR Part 431, Subpart E, to assure that they are not inappropriately denied enrollment or medical care or terminated from the program.

B. Surveillance and Utilization Review Subsystem (SURS)

The State's SURS is used to identify aberrant provider practices for education and potential sanction purposes.

To assure quality of services, SURS reviews payment files to identify over or under recipient utilization and patterns of aberrant provider behavior.

C. Retrospective Drug Utilization Review (RDUR) and Prospective Drug Utilization Review (ProDUR).

1. Retrospective Drug Utilization Review (RDUR) and Prospective Drug Utilization Review (ProDUR) systems are utilized by the state Pharmacy Program. They will also be used for the waiver group.
2. These review processes were established by the Omnibus Budget Reconciliation Act (OBRA) of 1990 to examine claims data and other records to identify possible patterns of abuse, fraud, overuse, or inappropriate or medically unnecessary care among physicians, pharmacists and individuals receiving benefits under Medicaid.

D. Arkansas Foundation for Medical Care, Inc. (AFMC)

1. The SURS review is supplemented by an endeavor between the Division of Medical Services and AFMC to identify physicians whose practices are outside the norm.
2. The State implements appropriate education efforts based on trends that become apparent through the efforts of SURS and AFMC. AFMC conducts any provider education efforts on behalf of the State.
3. AFMC delivers specific improvement goals to the providers as necessary.

X. Financial Issues

See attachments G through G4.

XI. Systems Support

The Medicaid Management Information System (MMIS) will be modified to recognize the waiver recipients and the enrollment fee and co-payment requirements that will apply to the ARx Senior Program.

XII. Implementation Time Frames

The proposed effective date for implementation of the ARx Senior Program is October 1, 2002.

XIII Evaluation and Reporting

The evaluation will be based on two objectives:

- A. Cost neutrality, and
- B. Access to quality care

There will be ongoing recipient satisfaction surveys monitoring issues such as physician availability, etc.

All appropriate federal reporting will be done on the ARx Senior Program.

An independent evaluation will be completed by the Arkansas Center for Health Improvement (ACHI).

XIV. Waivers

A. Section 1902(a)(10)(B) – Comparability

The ARx Senior Waiver recipients will be eligible for medical care benefits as outlined in Section VI of the application.

B. Section 1916(a)(2)(A) – Cost Sharing

An annual enrollment fee and co-payments for prescription drugs will be required of waiver recipients as outlined in Section VI of the application.

C. Income Limitations

Income limitations for the ARx Senior Program are outlined in Section V of the application.

